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SIPDIS

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SUBJECT: A/S FRIED'S CONSULTATIONS WITH ITALIAN U/S TERZI

Classified By: Political Minister Counselor Tom Countryman, for reasons
1.5 (B)(D).

1. (C) Summary. A/S Fried met with Italian MFA U/S Giulio Terzi June 7 to discuss Italian reaction to the French and Dutch "no" votes on the EU Constitution (see septel). With Russian FM Lavrov and Serbian PM Kostunica due in Rome, Terzi also reviewed with Fried our policies towards Kosovo, Bosnia, Ukraine and Russia. End Summary.

2. (C) Terzi noted that Russian FM Lavrov (June 7) and Serbian PM Kostunica (June 7-8) would be visiting Rome and asked for an update on the U.S. position on Kosovo. While we were thinking this through, Fried said our view was the status quo could not continue. The best result would likely be a phased, supervised independence over time. This should be coupled with the prospect of EU membership for both, along the lines proposed by the International Commission on the Balkans (chaired by former Italian PM Amato). We understand this creates the risk of some instability, but it is better to accept instability on our terms rather than be forced to react to it on theirs, as was the case in March 2004. Fried said he had told the Serbs that every time they play nationalist politics, they lose more territory, so it was time to accept that Belgrade cannot keep Kosovo. We cannot allow either the Serbs halt the process. The U.S. will stay involved, but the EU must do its part, especially by opening its door to the Balkans.

3. (C) Terzi said it was especially good to know the U.S. was committed to continued involvement while the EU considers further action. Rome was making bilateral efforts to improve the situation, and ICTY compliance was improving. Regarding a dialogue with Pristina, it was important to apply pressure on the Kosovo side. President Tadic was in Rome a few weeks ago, and Italy emphasized to him their concerns about the Kosovan Serbs, including the right of return and freedom of movement. The ideal concepts of conditional independence should be finalized. The prospect of integration is important but less credible for Kosovars--especially if the "no" votes on the EU Constitution slowed accession prospects for Bulgaria and Romania.

4. (C) At the recent G-8 meeting in London, Terzi said, the Russians did not push for further postponement of the mid-term review. He referred to a French technical paper that the EU could use on Kosovo and Bosnia/Herzegovina that included pragmatic details on commission representation and how KFOR could transfer power. Questions remain, but this shows the French are making an honest effort and are not automatically siding with Belgrade. They have moved and understand the need for an end game based on constructive solutions.

5. (C) Terzi noted that Kostunica would be making an address at the Italian Senate this week (note: see speech summary in Embassy Rome Daily Sipirnet for June 8). Fried asked that Italy try to persuade him to accept a definition of "less than independence" as being "less than unsupervised independence." He should be convinced to make this change in order to give himself a formula for success. To keep the hard line on Kosovo's status will not be successful and will only delay Serbia's eventual integration in to European institutions. He also asked Italy to work on getting Kostunica to encourage participation of Kosovo Serbs in the Kosovo political process, and to locate Mladic and hand him over to the ICTY. (Note: On June 8, Berlusconi's office gave us a detailed readout of his meeting with Kostunica. Berlusconi did push on these issues but got little satisfaction from his guest on moderating his line on Kosovo).

6. (C) Terzi asked where the Contact Group was going, noting Italian interest in the region. OHR Paddy Ashdown was OK, but some questions remain on the police mandate. Will the Bonn powers be less visible and less needed in the future? The person who replaces Ashdown will have to follow up. Rome would like to nominate a senior Italian diplomat, Laura Mirachian (formerly AMB to Syria and DAS-equivalent for Balkans), to take Ashdown's place, if a technocrat proves appropriate. Terzi said the British and the French support

the nomination and she is well-known to the U.S., but the Germans may not support her. Fried promised to check into the issue.

17. (C) On Georgia, Fried reiterated that the Russians had come to an agreement on base closings that we hope will hold. We need, with Ukrainian help, to promote a fair settlement in Transnistria, which could include a withdrawal of Russian equipment and an end to Moscow's support for the Smirnov regime. We are also concerned about domestic issues in Russia--the Yukos trial was quite disturbing. European governments and the U.S. need to send consistent messages to Russia about the importance of democracies and the rule of law.

18. (U) A/S Fried approved this message.

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